Fitch Ratings

Fitch Upgrades ING Bank to 'AA-'; Outlook Stable

Fitch Ratings-Paris-08 February 2019: Fitch Ratings has upgraded ING Bank N.V.'s Long-Term Issuer Default Rating (IDR) to 'AA-' from 'A+'. The Outlook on the Long-Term IDR is Stable.

Fitch has also upgraded ING Bank's Short-Term IDR to 'F1+' from 'F1', Derivative Counterparty Rating (DCR) to 'AA-(dcr)' from 'A+(dcr)', long-term senior unsecured debt ratings to 'AA-' from 'A+' and short-term senior unsecured debt ratings to 'F1+' from 'F1'. ING Bank's other ratings are unaffected.

KEY RATING DRIVERS
The upgrade of ING Bank's Long-Term IDR, DCR and long-term senior debt ratings reflects the build-up of a significant and sustainable buffer of junior debt at the bank that could be made available to protect its reference liabilities (senior third-party creditors) from default, in case of failure. Fitch calculates that at end-2018, the combined junior debt buffer, including senior debt issued by ING Group. and downstreamed into the bank in a subordinated manner, stood at 10% of group's risk-weighted assets (RWAs). We believe that a buffer in excess of around 10% of RWAs would most likely be sufficient to restore the bank's viability without hitting senior third-party creditors.

We expect that the buffer will be sustainable. Our expectation is based on the bank's need to meet the minimum requirement for own funds and eligible liabilities (MREL), set at EUR91 billion or 29% of end-2016 group RWAs. ING Group has adopted a single-point-of-entry resolution strategy, with ING Group being the resolution entity. All MREL instruments, including senior debt, will be issued at group level and downstreamed to ING Bank as junior-ranked instruments to third-party senior creditors. All outstanding holding company senior instruments have been downstreamed to ING Bank as senior non-preferred debt, following the introduction of this new debt class in the Netherlands in December 2018.

In case of failure, we have assumed that the intervention point for ING Group would be about its current minimum common equity Tier 1 (CET1) requirement of 6.25% (Pillar 1 and Pillar 2, excluding the capital conservation and the systemic risk buffers). We have also assumed that ING Group would need to meet its total minimum capital requirements immediately after a resolution action, which on a fully loaded basis, including the capital conservation and systemic risk buffers, currently amounts to 15.25%. Taking also into account additional undisclosed Pillar 2 guidance as well as a potential risk-weight increase in a stress scenario, a qualifying junior debt buffer of 10% of RWAs would most likely be sufficient to restore the bank's viability without hitting third-party preferred senior creditors.

The upgrade of the Short-Term IDR to 'F1+' reflects the upgrade of the Long-Term IDR as it is the only option mapping to a 'AA-' Long-Term IDR under Fitch's criteria. ING Bank's short-term debt is rated in line with the bank's Short-Term IDR.

ING Bank's DCR of 'AA-(dcr)' is in line with the bank's Long-Term IDR because under Dutch legislation derivative counterparties have no definitive preferential status over other senior obligations in a resolution scenario.

RATING SENSITIVITIES
The ratings are sensitive to changes in ING Bank's 'a+' Viability Rating (see "Fitch Affirms ING Bank at 'A+'; Outlook Positive" published on 13 November 2018). The ratings are also sensitive to a material reduction of

the combined buffer of junior and holding company senior debt, in particular should it fall below 10% of RWAs. The notching is also sensitive to changes in assumptions on the resolution intervention point and post-resolution capital needs, and the development of resolution planning more generally.

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Applicable Criteria
Bank Rating Criteria (pub. 12 Oct 2018)

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